

# Senior Advisor, Beauty

## 2019 Incentive Plan

### I. Objective

CVS Health Corporation (the “Company” or “CVS Health”) has developed the Senior Advisor, Beauty 2019 Incentive Plan (the “Plan”) to reward Eligible Participants for their role in driving performance. Incentive awards are based on actual results measured against pre-established financial, customer experience and community responsibility goals.

### II. Eligible Position

Eligible Participants who are in a Senior Advisor, Beauty position are eligible to participate in the Plan.

### III. Plan Year

The Plan Year is a calendar year plan, which runs from January 1 to December 31, 2019 (the “Plan Year”).

### IV. Incentive Opportunity

The incentive opportunity target for a Senior Advisor, Beauty under the Plan is 15% of his or her eligible earnings.

### V. Incentive Plan Metrics

The incentive award is based on the performance of the Region managed by the Eligible Participant with respect to the following metrics:

Metric	Results Measured Against	Measurement Tool	Percent of Incentive at Target	Percent Payout at Target
CVS Health Adjusted Operating Income	Enterprise Results	P & L	15% funding	2.25%
Contribution A	Region Budget	P & L	85% funding	12.75%
- Beauty Sales	Region Goals	Merchandising	30%	3.825%
- Individual Goals	2019 Goals	Performance Review	30%	3.825%
- OSAT – Front Store*	Region Results	mSH Scorecard	10%	1.275%
- OSAT – Pharmacy*	Region Results	mSH Scorecard	10%	1.275%
- Community Responsibility – Front Store	Region Results	mSH Scorecard	10%	1.275%
-Community Responsibility – Pharmacy	Region Results	mSH Scorecard	10%	1.275%

\* With no challenge stores in the region. Payout is modified if the region has challenge stores (see page 8).

### VI. Required Performance Levels

The target payout is the payment an Eligible Participant will receive if the Region managed by the Eligible Participant meets each of the established metric goals at 100% and can increase or decrease based on whether the Division's performance on each metric exceeds or fails to meet the metric goals.

Metric	Minimum Performance Level Required to Earn a Payout	Performance Level Required to Earn Target Payout	Performance Level Required to Earn the Maximum Payout
CVS Health Adjusted Operating Income	95%	100%	105%
Contribution A (Contra A)	90% of Budget	99.5%- 100.5% of Budget	110% of Budget
- Beauty Sales	90% of Budget	100% of Target	110% of Budget
- Individual Goals	Needs Improvement	Meets Expectations	Outstanding Performance
- OSAT – Front Store*	50% of stores meeting Target/ 2 mSH Rating	60% of stores meeting Target /3 mSH Rating	80% of stores meeting Target / 5 mSH Rating
- OSAT – Pharmacy*	50% of stores meeting Target/ 2 mSH Rating	60% of stores meeting Target /3 mSH Rating	80% of stores meeting Target / 5 mSH Rating
- Community Responsibility- Front Store	75% of stores meeting Target/ 3 mSH Rating	75% of stores meeting Target/ 3 mSH Rating	95% of stores meeting Target/ 5 mSH Rating
-Community Responsibility – Pharmacy	80% of stores meeting Target/ 3 mSH Rating	80% of stores meeting Target/ 3 mSH Rating	95% of stores meeting Target/ 5 mSH Rating

# **Senior Advisor, Beauty**

## **2019 Incentive Plan**

*\* With no challenge stores in the region. Payout is modified if the region has challenge stores (see page 8).*

### **VII. Performance Metrics**

The incentive award is based on the performance of the Region managed by the Eligible Participant with respect to the performance metrics listed below. In addition, the total incentive award amount is based upon and is reflective of continuous full time active employment (days actively worked) in the Senior Advisor, Beauty role during the Plan Year. An Eligible Participant on an approved leave of absence at any time during the Plan Year may be eligible for a prorated incentive award amount based on the number of days actively worked in the Senior Advisor, Beauty role during the Plan Year. "Days actively worked" includes time compensated as vacation or state/city mandated paid sick leave.

#### **A. Enterprise Adjusted Operating Income**

This metric will be based on the CVS Health Adjusted Operating Income actual performance results for the Plan Year in relation to budgeted performance goals for the Plan Year.

#### **B. Contribution A**

This result is based on the actual Contribution A vs. budgeted Contribution A appearing on the profit and loss statement. The year-end result is stated as a percent of budget (actual result divided by the budget). Contribution A results are used to determine the incentive funding. The incentive funding increases incrementally with performance between 90% and 110% of budgeted Contribution A. If Contribution A is less than 90% of budget, then this portion of the incentive is funded at 0%.

#### **C. Beauty Sales**

This segment measures actual Beauty Sales against budget, as provided by the Merchandising Department. The year-end result is stated as a percent of budget (actual result divided by the budget).

The incentive funding increases incrementally with performance between 90% and 110% of budgeted Beauty Sales. If Beauty Sales are less than 90% of budget, then the entire incentive is funded at 0%.

#### **D. Individual Goals**

This segment of the incentive is based on the individual's achievement of his/her personal performance goals for the year. Performance is measured using the actual results of the individual's goals against the pre-established measurements. Results are stated as Does Not Meet Expectations, Needs Improvement, Meets Expectations, Exceeds Expectations, or Outstanding Performance.

#### **E. Overall Satisfaction (OSAT) – Front Store and Pharmacy**

This metric measures the applicable Region's performance against the Company's myStore Health scorecard. The final Front Store and Pharmacy OSAT score will be used to determine the payout under this metric: 10% will be based on the Front Store score (OSAT Front Store) and 10% will be based on the Pharmacy score (OSAT Pharmacy). The incentive payout increases incrementally when the Region has at least 60% of its Stores meeting target until the maximum is reached. If a Region has challenge stores, a negative modifier is applied to the payout related to the MCP component. The Field Level Scorecard result reflects the Percent of Stores achieving target.

#### **F. Community Responsibility (CRS) – Front Store and Pharmacy**

This metric measures the applicable District's performance against the Company's myStore Health Scorecard. The final Front Store and Pharmacy CRS score will be used to determine the payout under this metric: 10% will be based on the score (percent of stores achieving target) for Front Store and 10% will be based on the score (percent of stores achieving target) for Pharmacy.

#### **G. Discretionary Individual Modifier**

At the discretion of the SVP, Field Operations, an individual payout modifier of +/- 25% of an Eligible Participant's target opportunity may be awarded. This discretionary component is intended to award individual performance during the Plan Year in areas such as leadership, talent development, and contribution to the overall success of CVS. Financial measures that are not included in this incentive plan may also be considered. This modifier may be applied to the total target incentive, increasing or decreasing the payout up to 25% of the target incentive percentage.

# **Senior Advisor, Beauty**

## **2019 Incentive Plan**

### **VIII. Eligibility**

Unless otherwise provided in the Plan, in order to be an Eligible Participant, an employee must (a) be actively employed by CVS Health or one of its subsidiaries in the Senior Advisor, Beauty role on or before November 1 of the Plan Year, (b) continue in active employment in the Senior Advisor, Beauty role through December 31 of the Plan Year and (c) continue in active employment and good standing at all times through the date on which an award is finalized (on the March 1st of the calendar year following the Plan Year).

The only exception to the eligibility requirement are employees who are on an approved leave of absence during the Plan Year but still employed through March 1<sup>st</sup> of the calendar year following the Plan Year. The approved leave of absence may not prevent an employee from being an Eligible Participant in the plan, but the amount of the incentive award received by the employee may be prorated to reflect the number of days the employee actively worked in the Senior Advisor, Beauty role during the Plan Year.

#### **A. Involuntary Terminations Without Cause**

Eligible Participants who are not actively employed as of the date on which an award is finalized (on the March 1<sup>st</sup> of the calendar year following the Plan Year) due to an involuntary termination not for cause may be eligible to receive an award, at the discretion of the Company.

#### **B. Transfer or Rehire**

Employees who are rehired or transferred into an incentive eligible position on or before November 1<sup>st</sup> of the Plan Year may be eligible to receive an award, on a prorated basis.

### **IX. Plan Payout**

#### **A. Timing**

Incentive awards for the Plan Year will be paid in a lump sum subject to all applicable payroll deductions on or before March 15<sup>th</sup> of the calendar year following the Plan Year.

#### **B. Calculations**

Calculations for awards that are based on eligible earnings will be based on the Eligible Participant's actual earnings for the number of days worked in the eligible position in the Plan Year.

Eligible earnings shall be determined by the Company but generally shall include regular earnings for hours worked and paid time off (i.e. vacation, sick time, holiday, funeral, jury duty, military) but shall exclude other earnings, such as, but not limited to, one-time payments for cash incentives, commissions, or similar payments and earnings associated with equity.

#### **C. No Guarantee**

CVS Health reserves the sole and absolute discretion to determine the amount, if any, of an award under the Plan and to reduce or eliminate entirely any award to an Eligible Participant for any reason, including if CVS Health determines, in its sole discretion, that an individual (i) violated a CVS Health policy, (ii) failed to meet significant performance standards or (iii) engaged in conduct that results, or could result, in criminal or civil charges, fines, penalties, expenses or other costs to CVS Health.

### **X. Plan Administration**

#### **A. Participant Performance**

To be eligible to earn an incentive award under the Plan, an Eligible Participant must be in good standing (e.g., not on probation, written warning or any disciplinary/performance action plan) throughout the Plan Year and at all times through the date on which an award is finalized.

#### **B. Leaves of Absence**

An Eligible Participant on an approved leave of absence at any time during the Plan Year who remains employed in an eligible position as of the last day of the Plan Year and employed through the date on which the award is finalized (on the March 1st of the calendar year following the Plan Year) may be eligible for a prorated incentive

# **Senior Advisor, Beauty**

## ***2019 Incentive Plan***

award based on the number of days they actively worked in the Senior Advisor, Beauty role during the Plan Year, provided they meet all other eligibility criteria for an incentive award. "Days actively worked" includes time compensated as vacation or state/city mandated paid sick leave.

### **C. Reduction in Force, Retirement and Death**

#### **1. Reduction in Force**

If an Eligible Participant is separated from employment by CVS Health on or before the last day of the Plan Year due to a reduction in force, he or she may be eligible, at the Company's discretion, to receive a prorated incentive award.

#### **2. Retirement**

If an Eligible Participant is at least age 55 and has a minimum of 10 years of service with CVS Health or a predecessor company/subsidiary **or** is at least age 60 and has a minimum of 5 years of service with CVS Health or a predecessor company/subsidiary **and** the Eligible Participant retires before the end of the Plan Year, he/she may be eligible, at the Company's discretion, to receive a prorated incentive award.

#### **3. Death**

In case of the death of an Eligible Participant, a prorated incentive award may be paid, at the Company's discretion, to the Eligible Participant's spouse, if living; if there is no living spouse, the award may be paid to the Eligible Participant's estate.

#### **4. Proration**

For purposes of this section, any proration shall be determined based on the number of days that the employee was actively employed in the Plan during the Plan Year, and any incentive award will be paid at the same time as other incentives are paid generally under the Plan.

### **D. No Promise of Continued Employment**

The Plan does not create an express or implied contract of employment between CVS Health and an Eligible Participant or any other person. Both CVS Health and the Eligible Participant retain the right to terminate the employment relationship at will, at any time and for any reason.

### **E. Rights are Non-Assignable**

Neither the Eligible Participant, nor any beneficiary or any other person, shall have any right to assign, in whole or in part, the right to receive payments under the Plan. Payments are non-assignable and non-transferable, whether voluntarily or involuntarily, and any attempted assignment or transfer will be deemed null and void.

### **F. Compliance with Applicable Law**

An Eligible Participant must comply at all times with all applicable state and federal regulations and CVS Health policies to be eligible to receive an incentive award under the Plan.

### **G. Change in Control**

In the event of a change in control of CVS Health, as defined in the 2010 Incentive Compensation Plan ("ICP"), the Plan shall remain in full force and effect. Any amendments, modifications, termination or dissolution of the Plan by the acquiring entity may only occur prospectively and will not affect incentive targets or awards or eligibility before the date of the change in control or such date as it may be modified or dissolved by the acquiring entity.

Provisions regarding the payment of annual incentive awards that are set forth in change in control agreements with Eligible Participants shall supersede those appearing in the Plan.

### **H. 2010 Incentive Plan**

Capitalized terms not otherwise defined herein shall have the meaning assigned to such defined term(s) in the ICP. In the event of any conflict between the ICP and the Plan, the terms of the ICP shall govern.

# **Senior Advisor, Beauty**

## **2019 Incentive Plan**

### **I. Withholding**

All required payroll deductions will be withheld from the incentive awards prior to distribution. This includes all applicable federal, state, or local taxes, as well as any eligible 401(k) deductions and deferred compensation contributions as defined by the applicable plans. Incentive awards that are deferred will be taxed according to applicable federal and state tax law. Each Eligible Participant shall be solely responsible for any tax consequences of his or her award hereunder, and the Company makes no representations as to such consequences.

### **J. Plan Interpretation/Amendment/Modification/Termination**

The Company retains sole, full and final authority to prescribe rules and regulations for the administration of the Plan, construe and interpret the Plan and correct defects, supply omissions or reconcile inconsistencies therein and to make all other decisions and determinations as it may deem necessary or advisable for the administration of the Plan. The Company retains the right to amend, modify, or terminate the Plan at any time on or before the last day of the Plan Year for any reason, with or without notice to Eligible Participants.

### **K. Requests for Adjustments or Review**

Any request for an adjustment or review with respect to an incentive payment calculation, determination or decision under the Plan must be submitted by the Eligible Participant in writing to his or her Human Resources Business Partner by April 1st following the disbursement of the relevant incentive award under the Plan. To the extent permitted by applicable law, an Eligible Participant's failure to timely request review or adjustment of a payment calculation, determination or error may result in the forfeiture of any unpaid amount.

### **L. Recoupment of Incentive Awards Due to Fraud or Financial Misconduct**

Each incentive award under the Plan shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the Eligible Participant to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the Plan. If an award recipient fails to make such repayment, the Company may seek reimbursement of such amount from the award recipient by reducing salary or any other payments that may be due to the award recipient, to the extent legally permissible, and/or through initiating a legal action to recover such amount, which recovery shall include any reasonable attorneys' fees incurred by the Company in bringing such action. If an award recipient has deferred payment of any portion of an award that is subject to repayment hereunder, the award recipient's deferred compensation account shall be reduced by the amount subject to repayment and by any related Company matching amounts and earnings.

### **M. Section 409A of the Internal Revenue Code**

CVS Health intends that the Plan not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Code, as amended, and the regulations and guidance thereunder (collectively, "Section 409A"), and that to the extent any provisions of the Plan do not comply with Section 409A the Company will make such changes as it deems reasonable in order to comply with Section 409A. Payments hereunder are intended to qualify as short-term deferral payments under Section 409A. In all events, the provisions of the Company's Universal 409A Definition Document are hereby incorporated by reference, and notwithstanding the any other provision of the Plan or any Award to the contrary, to the extent required to avoid a violation of the applicable rules under Section 409A(a)(2)(B)(i) of the Code (requiring certain delays for "specified employees"), payment of any amounts subject to Section 409A shall be delayed until the first business day of the seventh (7th) month following the date of termination of employment, on which date any delayed amounts shall be paid in a lump sum. For purposes of any provision of the Plan providing for the payment of any amounts or benefits in connection with a termination of employment, references to an Eligible Participant's "termination of employment" (and corollary terms) shall be construed to refer to the Eligible Participant's "separation from service" with the Company as determined under Section 409A.

## ***XI. Company-Wide Pool***

Notwithstanding anything to the contrary, as of the end of the Plan Year an aggregate annual plan pool shall be deemed to be established under the Plan and the other incentive plans of the Company for the Plan Year (the "Plan Year Aggregate Pool"). The Plan Year Aggregate Pool shall be the product of (A) the sum of the amounts that would be payable under each separate Company incentive plan to each Eligible Participant in such plan in strict accordance with the store-by-store and participant-by-participant calculation methodologies set forth in each such plan if full incentive payment checks were issued to each Eligible Participant as of the last day of the Plan Year, multiplied by (B) the Applicable Percentage. The "Applicable Percentage" with respect to the Plan Year shall be the percentage established in writing and confirmed by the affirmative or negative assent of the senior

## **Senior Advisor, Beauty**

### ***2019 Incentive Plan***

officers of the Company's Compensation Department; provided, however, that (a) in no event shall the Applicable Percentage be less than 92.5% and (b) if there is any irresolvable uncertainty regarding the Applicable Percentage with respect to the Plan Year, the Applicable Percentage for the Plan Year shall be 92.5%.

The aggregate amount of the annual incentives paid under the Plan and the other incentive plans of the Company in respect of the Plan Year will not be less than the Plan Year Aggregate Pool. Eligible Participants who are active employees in an incentive eligible position as of the end of the Plan Year and as of the actual check distribution date for incentives under the Plan and the other incentive plans of the Company in respect of the Plan Year shall, as a group, have a legal right to receive incentives the sum of which is at least equal to the Plan Year Aggregate Pool, but no individual Eligible Participant shall be entitled to receive an incentive payment or any specific amount or portion of the Plan Year Aggregate Pool, and the incentive amount payable to any Eligible Participants who terminate active employment in an incentive eligible position prior to the check distribution date for the Plan Year will be reallocated to Eligible Participants who are active employees in an incentive eligible position as of the check distribution date for the Plan Year using a reallocation methodology determined in the sole discretion of the Company.

If the Company fails to honor the above provisions in this section XI of the Plan, injured Eligible Participants as a class shall have legal standing to enforce this section XI against the Company, and the Company waives any objection to such standing. To discourage unmerited litigation, any party or class asserting a challenge or claim against the Company under any provision of the Plan, including this section XI, shall bear their own costs relating to such challenge or claim, and if the challenge or claim is unsuccessful, such party or class shall reimburse the Company for all reasonable costs incurred by the Company in responding to such challenge or claim.

Any amendment of the provisions of this Section XI by the Company shall only be effective with respect to the Plan Year if such amendment is made prior to the end of the Plan Year.

# Senior Advisor, Beauty

## 2019 Incentive Plan

<b>Adjusted Operating Income - No Interpolation Payout between scores</b>	
<b>% of Budget</b>	<b>% Payout</b>
105.00%	200%
104.00%	180%
103.00%	160%
102.00%	140%
101.00%	120%
<b>99.5% - 100.5%</b>	<b>100%</b>
99.00%	90%
98.00%	80%
97.00%	70%
96.00%	60%
95.00%	50%
< 95.0%	0%

<b>Contribution A - Interpolated payouts between scores</b>	
<b>% of Budget</b>	<b>Incentive Funding % of Target</b>
110%	200%
<b>100.5%</b>	<b>100%</b>
<b>100%</b>	<b>100%</b>
<b>99.5%</b>	<b>100%</b>
90%	25%
89%	0%

<b>FOR 99.5% + PROFIT RESULTS Beauty Sales (30%) - Interpolated payouts between scores</b>	
<b>% of Budget</b>	<b>% Payout</b>
110%	225%
<b>100%</b>	<b>100%</b>
90%	9.09%
89%	0%

<b>FOR 99.5%AND LOWER PROFIT RESULTS Beauty Sales (30%) - Interpolated payouts between scores</b>	
<b>% of Budget</b>	<b>% Payout</b>
110%	110%
<b>100%</b>	<b>100%</b>
90%	9.09%
89%	0%

<b>Performance Rating (30%)</b>	
<b>Performance Rating</b>	<b>% Payout</b>
Outstanding	0%-200% Guidelines for each performance rating will be established prior to the award determination process and approved by the SVP, HR
Exceeds Expectations	
<b>Meets Expectations</b>	
Needs Improvement	
Does Not Meet Expectations	

## Senior Advisor, Beauty

### 2019 Incentive Plan

<b>OSAT – 20% Stores Meeting Target Criteria</b>	<b>Pharmacy Award (10%)</b>	<b>Front Store Award (10%)</b>
80% of Stores & ≤ 2.5% Challenge Stores/ 5 mSH Rating	120%	120%
65% of Stores & ≤ 2.5% Challenge Stores/ 4 mSH Rating	110%	110%
<b>60% of Stores &amp; ≤ 2.5% Challenge Stores/ 3 mSH Rating</b>	<b>100%</b>	<b>100%</b>
≥60% of Stores & no more than 20% of Stores Challenged / 2 mSH Rating	90%	90%
≥60% of Stores & no more than 20.1% - 40% of Stores Challenged/ 2 mSH Rating	70%	70%
50% of Stores & ≤40% of Stores Challenged/ 2 mSH Rating	50%	50%
50% of Stores & >40% of Stores Challenged/ 1 mSH Rating	0%	0%

<b>CRS – 10% Stores Meeting Target Criteria</b>	<b>Front Store Award (10%)</b>
95% + / 5 mSH	120%
85% / 4 mSH Rating	110%
<b>75%/ 3 mSH Rating</b>	<b>100%</b>
74% and Below/ 2 or 1 mSH Rating	0%

<b>CRS – 10% Stores Meeting Target Criteria</b>	<b>Pharmacy Award (10%)</b>
95% + / 5 mSH	120%
90%/ 4 mSH Rating	110%
<b>80% / 3 mSH Rating</b>	<b>100%</b>
79% and Below/ 2 or 1 mSH Rating	0%